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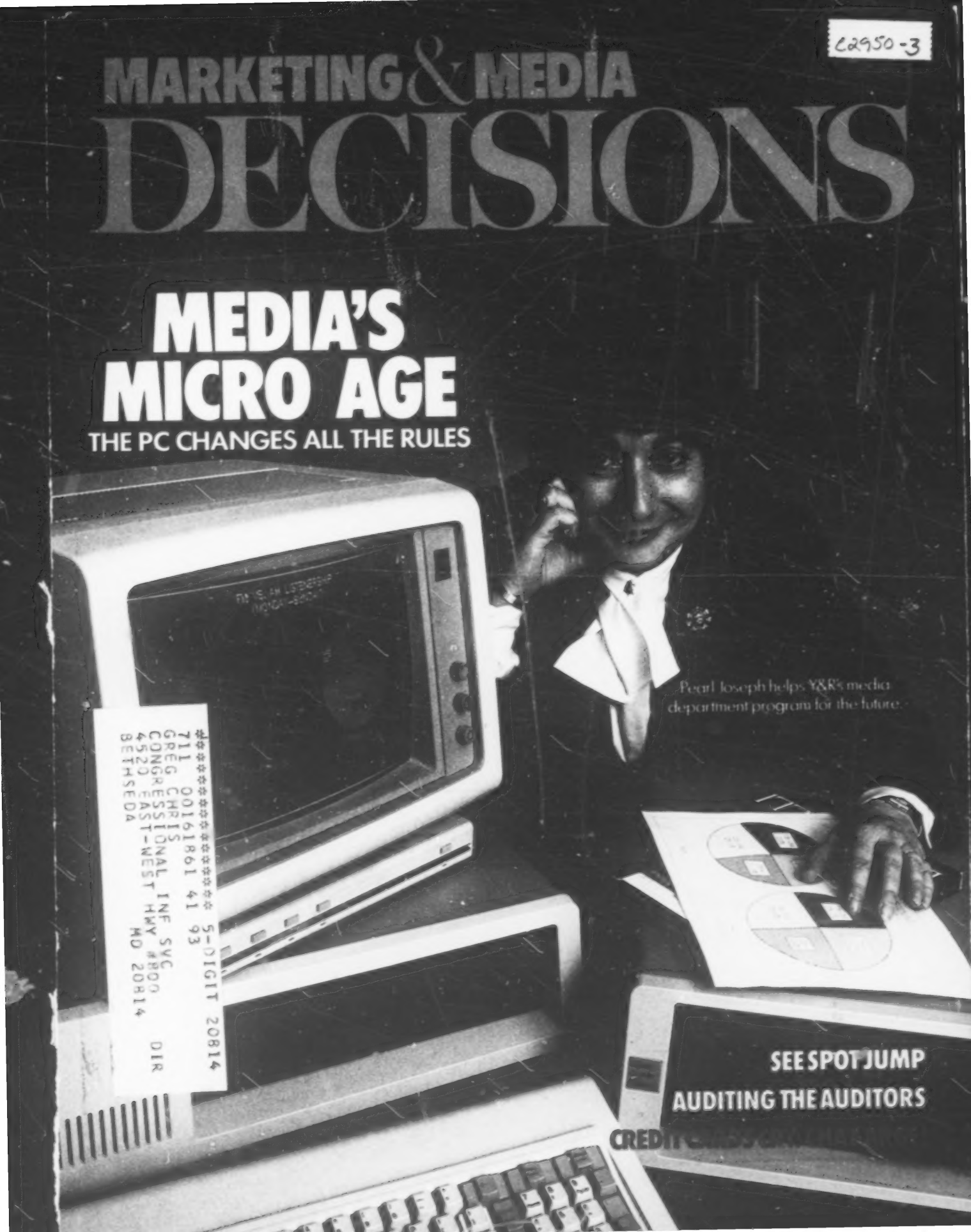
MARKETING & MEDIA
DECISIONS

MEDIA'S MICRO AGE

THE PC CHANGES ALL THE RULES



Pearl Joseph helps Y&R's media department program for the future.

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GREG CHRIS
CONGRESSIONAL INF SVC
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BETHSEDA MD 20814
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SEE SPOT JUMP

AUDITING THE AUDITORS

CREDIT

MARKETING & MEDIA DECISIONS

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The nation's largest hospital management company, Hospital Corp. of America, is said to be 18 months behind Humana in the consumer marketplace — but maybe not for long.

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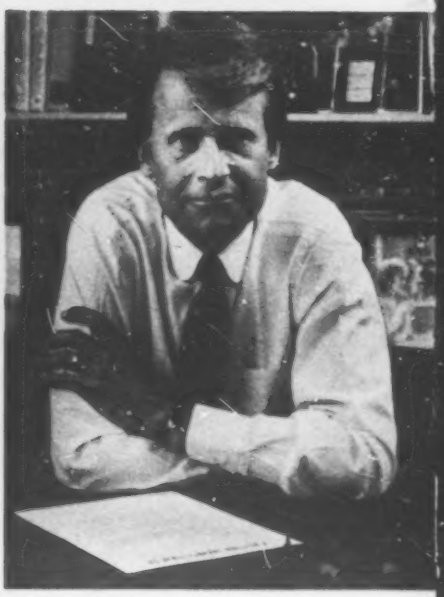
The sky appears to be the limit when it comes to the use of credit cards, and card marketers are getting ever-more sophisticated in their approaches to convince the consumer to please sign on the dotted line.



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Time Inc. thinks small to develop new magazines aimed at very specific — and rich — markets. On the trade side, Thomas Publishing is taking the wraps off of its automation magazine.

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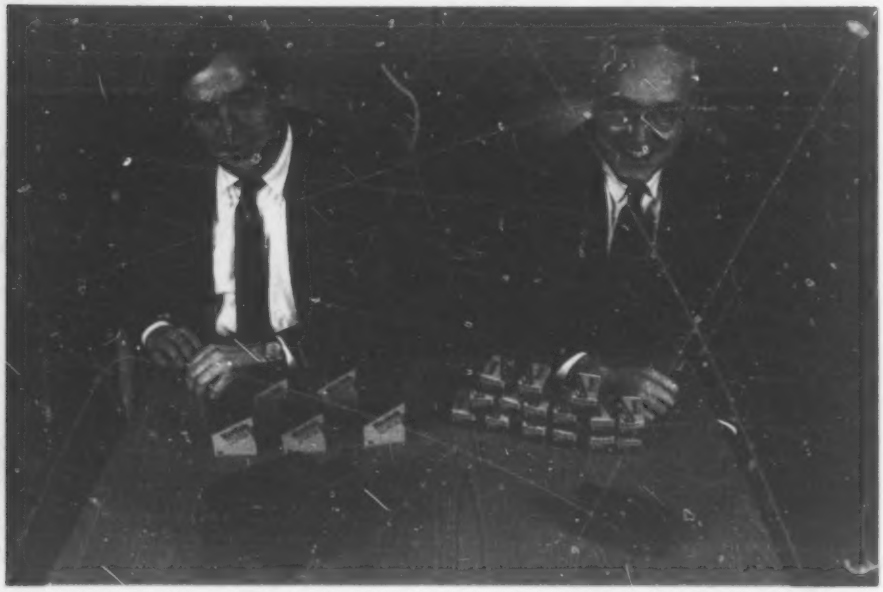
Cover photograph by Larry Barns



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Competitive expenditure reports may fall short of giving you the information you most need to help your client.

MARKETING & MEDIA DECISIONS (ISSN0195-4296) April 1986. Vol. 21, No. 5 Copyright © 1986. Decisions Publications Inc. Published 15 times. Executive, editorial, circulation and advertising offices at 1140 Ave. of Americas, New York, N.Y. 10036 (212) 391-2155. Available without charge to those personally involved in media decisions at major agencies and advertiser companies. For others, subscription prices are: U.S.A. $45 for 15 issues. Canada $60. Overseas $70 (surface mail). Airmail — add $70. Single copy $3.00. All overseas copies are paid. Second-class postage paid at New York, New York, and additional mailing offices. Postmaster: Send form 3579 to Marketing & Media Decisions, 1140 Ave. of Americas, New York, N.Y. 10036.

of related product commercials in an umbrella situation — like having breakfast, grooming, travelling, home repair, fitness, etc.

In any event, the encouraging thing so far is that zapping is not nearly the problem it might be. The discouraging thing is that so little solid research on commercial concept testing is being done to anticipate a situation when zapping does, in fact, become a real headache. As usual, the advertising industry is making lots of speeches warning of impending doom without planning ahead to prevent the problem before it surfaces. If zapping develops into a problem, an advertiser's commercials, not the programs, will be ignored. Surely this is one threat that deserves to be taken more seriously, if for no other reason than enlightened self-interest. Zapping is not simply a media buying problem; it's an advertising effectiveness problem. Shouldn't we be hearing more about it from the latter point of view? ■

NEWSPAPERS

by Debbie Solomon

Media research director, Leo Burnett

1—PERCENT OF ADULTS READING A NEWSPAPER, BY DEMOGRAPHICS

	1973	1980	1983	1985
Total Adults	73.4%	66.9%	66.3%	64.2%
Age				
Education				
Household Income				
Occupation				

TRENDS IN NEWSPAPER READERSHIP

A great deal has been written about falling newspaper circulation and failing major metro newspapers. Since 1973, over 100 major newspapers have gone out of business and most of these demises have been heavily publicized.

What hasn't been noted as much is whether newspaper readership is also affected. A review of readership levels since 1973 as reported in Simmons Study of Media and Markets shows that newspaper reading has been on a slow, gradual decline. In addition, this decline is occurring across all demographic groups.

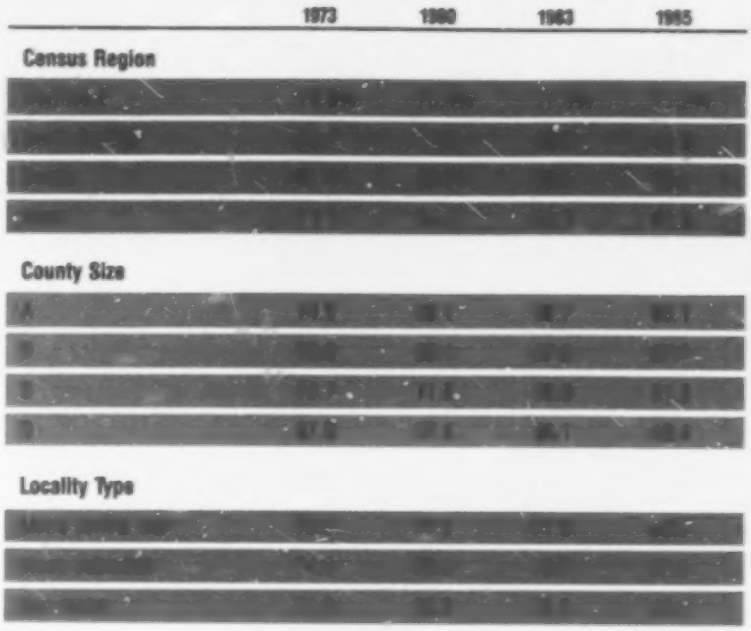
Overall Readership

Nearly 75% of the adult population read a daily newspaper on the average day in 1973. Ten years later, in 1983, this dropped to 66.3% and it continued to fall to 64.2% in 1985. Men have consistently been slightly heavier newspaper readers than women and there has been a little less of a decline in male readership levels.

Age

Newspaper reading varies by age. Since 1973, 55- to 64-year-olds have been the heaviest newspaper readers

2—PERCENT OF ADULTS READING A NEWSPAPER, BY LOCATION



while 18- to 34-year-olds have been the lightest. Readership has declined at a similar rate among all the age groups.

Education

Needless to say, as education levels increase, newspaper readership increases. Over 78% of college graduates read a daily newspaper in 1985 while only 54% of those who attended but didn't graduate from high school were readers.

In both cases readership was down since 1973, but it declined more among people with less education.

Income

People with higher incomes are more likely to read newspapers; 81.2% of those with household incomes of $30,000 or more read a daily newspaper on the average day in 1985. This can be compared to 70% or less for the lower income groups. In addition, newspaper readership has declined only slightly among the $30,000+ group while it's declined to a much greater extent among those earning less than $30,000.

Occupation

Since 1980, the heaviest readers of newspapers have been managers and administrators. Almost 80% of this group were newspaper readers in 1985. Of all the occupational categories, this group has also showed the smallest decline. (See Chart 1 on page 104.)

Census Region

Newspaper readership is strongest in the Northeast. While the North Central States also have high readership levels, the decline in readership has been most dramatic in this region.

County Size

Readership levels have been similar in A and B counties over the 12 years examined. These counties represent the larger cities. In C and D counties, which represent small towns and rural areas, respectively, newspaper readership has declined much more.

Locality Type

In 1973, newspaper readership was fairly even among the city dwellers, suburbanites and people in non-metro areas, with suburbanites having a slight edge.

By 1985, readership levels dropped tremendously in the non-metro areas but didn't change nearly as much in the city and suburbs. (See Chart 2 above.)

This study has shown small but consistent declines in newspaper readership. Despite these declines, it's important to note that nearly two-thirds of the population does read a newspaper on the average day. This is still a very large segment of the population and it attests to the overall strength of the medium. ■

TELEVISION

by Donna Campanella

Vice president, media director, Cato Johnson/New York

TO HALVE AND HAVE NOT

The jury is still out on 15-second commercials. The networks have opened the doors for the use of split :30's and even stand alone as :15's. The research is in which states that :15's are about two-thirds as effective as :30's. The CPM's are on target, making 15-second units very efficient. But there isn't an overwhelming clamor to purchase :15's. Why? Let's take a step back.

At first glance, it appears that :15's are the fastest-growing ad form. The Television Bureau of Advertising reports an 85.2% increase in the short-form commercial in the first nine months of 1985 over the same period in 1984. While :15's are on the increase, they still represent a small percentage of the total commercials aired. About 452 :15's, or 9%, appear each week on the networks vs. 4,307 :30's. Thus, while many companies are experimenting with :15's, several others are taking a wait-and-see attitude.

Some may be waiting for more in-depth research on the effectiveness of :15's. A number of research studies have been conducted, among them the ABC/J. Walter Thompson and McCollum Spielman Studies. Both indicate that shorter length commercials are technically more efficient on the basis of memorability. A :15 will score

BRAND REPORT

NO. 132: CREDIT CARDS

PLASTIC BINGE

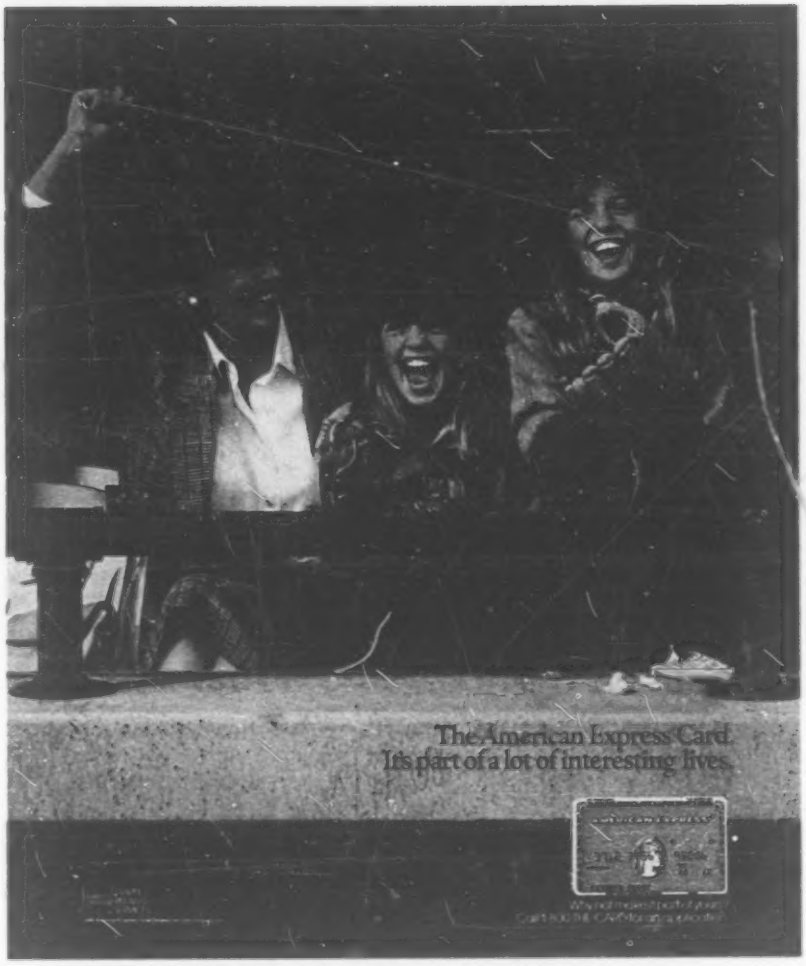
by Carol Hall

What goes up must come down, right? Tell that to the marketers in the credit card business.

As though it had been extended a limitless debt ceiling, the whole credit card industry is in a sort of wild growth mode. New cards continue to be rolled out and marketing expenditures, for old and new plastic, are on the rise. Card interest rates are higher than ever, making cards even more profitable for issuing banks and costly for consumers.

But consumers don't seem to care—they're charging more than ever on an ever-widening panopoly of cards. "The use of cards is becoming even more a way of life," notes John H. Bennett, senior vice president of marketing at Visa U.S.A. Inc., most happily. "Probably what's losing out is payment in the form of cash."

Card "enhancements," or special features, are proving a favorite marketing tool. Gone are the days when card registration (one company notifies issuers of *all* a customer's cards if they are lost) was seen as a big deal. Now various cards can secure hotel rooms at a discount, pay off long-distance phone bills, even insure the holder against death or dismemberment on public transportation.



Trying to fine tune its targeting: "Interesting Lives" from Amex.

And, as more and more frills are added onto existing cards, the industry itself is showing signs of evolving. Marketers like Sears are launching cards that offer a full range of financial services in addition to more common card uses. While there's still plenty of money to be made from card fees and interest charges, a real bonanza awaits marketers who tie their plastic into a wide range of expensive services, be they financial or retail (shop-by-phone, for example). "The world of plastic is really changing," proclaims Elgie Holstein, associate director of Bankcard Holders of America. "Cards have come a long way from the 'charge plates' they once were, more than just

a means of accessing a revolving loan."

The average consumer's wallet bulges with about seven credit cards. That's not surprising considering there are 703 million cards in circulation, according to Bankcard Holders of America. That accounts for all the bank cards, like MasterCard and Visa, travel and entertainment cards like American Express and a host of retail cards issued by individual stores. Sharon Hollander, a partner at Solutions Marketing Reseach — a company that's done testing on credit card images — offers a somewhat stark assessment of all this. "We are experiencing a resurgence of traditional values and we're returning to the values that have to do with money," she says. "We're hungry and credit cards provide immediate gratification."

But, claims Michael Weinstein of *American Banker*, a trade publication, "The market is very close to saturation. There's just a limit to how much credit can be extended." But is there? Shoppers uttered the cry of "chaaaaarge it!" 25% more last year than in 1984, racking up a total bill of $331 billion on their cards. Even though 30% of card carriers pay their bills immediately, delinquent accounts — those that pay nothing on their balances — are at an all time high. The American Bankers Association says 1985 ended with banks holding the bag for about $2 billion in delinquent, or deadbeat, bank card billings.

Yet plastic purveyors continue to increase marketing efforts that are not only aimed at getting people to charge more on the cards they have, but encourage people to sign up for new cards.

At the same time issuers are stepping up card advertising and stuffing post boxes with direct-mail pitches as never before, some are also relaxing once-tough standards for card approval. Losses on cards are rising, due in large part to mailings that somewhat indiscriminantly blanket an area with applications — and sometimes pre-approved cards. As a result, prison inmates, jobless teens and, in a few cases, family pets have been awarded pre-approved plastic in the mail "It's fair to say that the credit review process is strained at the seams due to these marketing campaigns," concludes SMR's Holstein.

Problems or no, aggressive pitches to use more cards as payment vehicles are likely to continue. "The banks are making nice money on their cards," observes Weinstein. That's something of an understatement. With interest rates averaging 18.8%, the banks are indeed doing well. The money they buy from the Federal Reserve has dropped to below 8%. Lenders collected between $8 billion to $12 billion in interest on cards in 1985.

Those who issue cards that are technically *not* credit — or "revolving" — cards are making out handsomely, too. American Express dominates that segment of industry by a large margin. Its profits come from annual fees it charges cardholders, as well the 2.5% to 3% rate it charges merchants per transaction. And with recent reports that inflation is under control again, marketers know that the familiar slip-slide of the credit card machine will occur even more often.

CREDIT CARD MARKETERS' MEDIA EXPENDITURES JANUARY-SEPTEMBER 1985 (000)

COMPANY	TOTAL	MAGS	NET TV	SPOT TV	OUTDOOR	SUNDAY MAGAZINES	NET RADIO	CABLE TV
BANK CARDS								
MASTERCARD	$16,232.6	$2,309.1	$11,754.9	$1,919.3	–	–	–	$249.3
VISA	15,600.4	5,454.2	7,369.8	176.7	79.7	–	2,466.4	53.6
DISCOVER	401.1	197.9	–	203.2	–	–	–	–
TRAVEL & ENTERTAINMENT CARDS								
AMERICAN EXPRESS	41,740.4	17,401.4	16,031.0	7,493.2	13.3	583.6	–	217.9
DINERS CLUB	6,643.6	3,765.3	–	2,496.4	49.5	–	–	332.4
AMOCO MULTICARD	*							
SHELL	*							

Source: Leading National Advertisers; Newspaper figures for this period not available.

*No figures reported

BANKCARDS

The giant bank cards, Visa and MasterCard, have been around so long and accumulated so many cardholders that the common feeling is, as an outsider put it, "they can afford to sit back, be lazy and let the cards market themselves."

That kind of talk, though, might be like waving a red flag in front of Visa and Master marketers, both of whom have recently launched new advertising assaults. The campaigns — Master's is from William Esty Co. and Visa's from BBDO International Inc. — are, in both cases, appearing heavily on network tv and in national print. The pitches are referred to as "umbrella advertising" and are really image-oriented spiels, designed to convey a lifestlye idea.

Motorland

Northern California's Showcase Magazine for Travel

Motorland represents a travel market that is, by any definition, far above the average in demographic excellence. Multiply this excellence by 1.6 million paid subscribers and it represents a level of efficiency and quality unequalled by any consumer magazine in the West.

The Motorland Market–Where The Money Is.

Californians make up 10 percent of America's population, earn nearly 12 percent of its income, account for 13 percent of its retail sales and spend nearly 15 percent of its travel dollars. And Northern California, Motorland's primary market area, is the richest half. Per capita income in Northern California is nearly 19 percent higher than the state's average, and retail sales are 14 percent higher.

California's Best Prospects

	INDEX
Professional	193
Home value, $75,000+	292
Own passport	304
Took foreign air trip (past three years)	239
Own 2+ cars bought new	152
Stock Portfolio $50,000+	231

Source: 1984 MRI double base SF ADI

Your advertisement in **Motorland** works to produce travel sales regardless of destination whether by air, land or sea. **Motorland** subscribers represent 44 percent of all passport holders in the San Francisco ADI. They also account for more than 40 percent of all adults who took any domestic or foreign trips in the past three years.

Motorland Penetration of the San Francisco ADI:

Past Year:

Took 3+ domestic trips	38%
Took 3+ domestic air trips	45%
Spent 6+ nights in a hotel	47%
Have a T&E card	43%
Bought travelers checks	43%
Bought 35 mm film	44%

Source: 1984 MRI double base SF ADI

Clearly, **Motorland** is the magazine of choice when it comes to reaching important travel prospects. For a complete media kit or more information, call Keith Radcliffe, Advertising Manager, collect, at 415/565-2454.

Motorland

TRAVEL AND NEWS MAGAZINE OF THE WESTERN MOTORIST

150 Van Ness Avenue, San Francisco, CA 94101

Member ABC Audit Bureau of Circulations

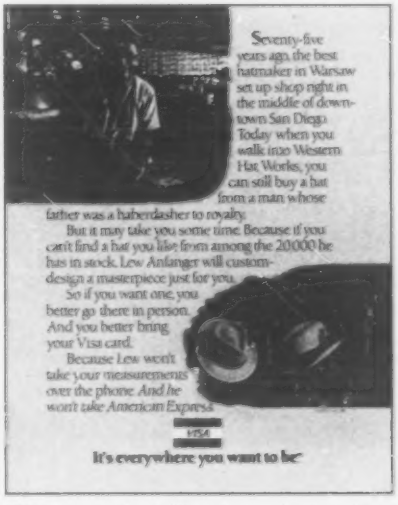
But the bulk of the marketing burden falls on the issuing banks. "The most effective marketing tool we have is our member base," says Visa's John Bennett. "The banks acquire the cardholders." They do this, in terms of advertising, with heavy use of local tv and newspapers targeted to their regions. Their marketing leverage comes in the form of annual fees — to charge or not to charge customers — interest rates and, of course, card enhancements.

Last fall Manufacturers Hanover went after new card customers by lowering the rate on its cards to 17.8% from 19.8%, the first major bank to do so in four years. But so far, other banks haven't stampeded to follow its lead.

VISA

While similarities in their services and past marketing efforts make it tempting to think of the two biggest bank cards as one, their new strategies strive to make the differences more apparent. Visa, however, is also setting its sights on a giant non-bank card competitor, American Express.

"We have focused in our current campaign on what I'd call setting the record straight," explains John Bennett of Visa, the company that's king of the cards with 140 million holders worldwide, 93 million in the U.S. "Consumers have been mislead by some other players, especially American Express, into thinking their cards are the only viable alternative to cash."


Seventy-five years ago, the best hatmaker in Warsaw set up shop right in the middle of downtown San Diego. Today when you walk into Western Hat Works, you can still buy a hat from a man whose father was a haberdasher to royalty.
But it may take you some time. Because if you can't find a hat you like from among the 20,000 he has in stock, Lew Anfanger will custom-design a masterpiece just for you.
So if you want one, you better go there in person. And you better bring your Visa card.
Because Lew won't take your measurements over the phone. And he won't take American Express.
It's everywhere you want to be.

Visa's on the offensive, aiming its ad barbs at American Express.

The card's new umbrella campaign shows it being used at a variety of out-of-the-way (but upscale) places and it tells consumers to "Bring your Visa card, 'cause they don't take American Express." Visa does have the advantage when it comes to the number of merchant outlets accepting its card: 4.7 million worldwide. "And those aren't just mom and pop gift shops," Bennett huffs.

In October, the company launched the new "Visa . . . It's everywhere you want to be" campaign to push its regular, or "Classic" card and more upscale "Premier" card (of which there are about five million holders). Bennett admits Visa's target market cuts a wide swath: 25- to 54-years-old, annual income of $15,000 or more, dwelling in A and B counties. But, he says, the card is now being pitched more to the heavy user. "We want the customer who'll use it for higher ticket items and use it more often," he says. And that could help boost Visa charge volume beyond the $165 billion (worldwide) it registered in '85.

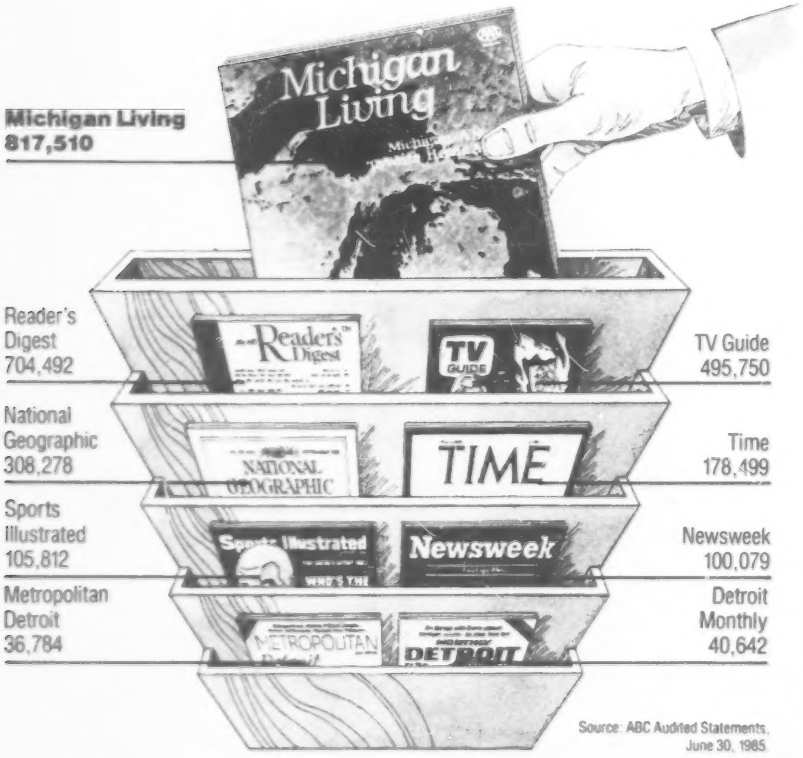
LEADER OF THE RACK

Michigan's largest magazine circulation base belongs to *Michigan Living*. Each month, our pages reach an affluent, educated audience that clips coupons, dials toll-free numbers and places orders the day their issues arrive. Your cost per thousand? Only $9.85 for color; just $8.21 for black and white. So start racking up your own results.

Discover the potential of *Michigan Living*. For rates and editorial, call your local sales representative or *Michigan Living* at 313-336-1516.

Michigan Living

Michigan's best read magazine.



Visa vies for a bigger piece of the more upscale T&E market.

Visa's past campaigns have been far less pointed, so much so that they're hard to remember. "Our other campaigns *were* a lot softer and didn't take direct aim at competition," Bennett explains. "But it was a different era; it wasn't so competitive."

Bennett says Visa's spending on the campaign will be in the $20 million to $40 million range through 1986. The company will make a pitch to the trade primarily through *American Banker* magazine. When Visa's three, new 30-second tv ads aired last fall, the aim was to expose 90% of the target audience to the new message within the first two weeks. The frequency has been cut back and, currently, the commercials are airing on prime time slots such as *Dynasty*, *St. Elsewhere* and *Hotel*. Late night slots include *David Letterman* and the *Tonight Show*. The

MasterCard's new campaign: credit card as expression of individuality.

list of print buys isn't extensive, but is wide-ranging. Titles bought include *Bon Appetit, Gentlemen's Quarterly, Glamour, Money, Omni, People* and *National Geographic*.

MASTERCARD

Marketing for the red and ochre MasterCard has gone from pushing lifestyle — "So worldly, so welcome" — to individuality in an effort to boost membership. Master currently has 120 million subscribers worldwide. According to Mastercard International Inc., its new "Master the possibilities" campaign, launched at the end of February, aims to buck the status-conscious, conformist imagery of other cards.

According to John S. Cunningham, executive vice president of marketing, the "Worldly" campaign had an "international travel and status appeal. We felt that talking about all the sizzle was stretching our credibility somewhat." He adds that market research led the company to believe that "there has been a fundamental shift in consumer values." That shift, he says, translates into their campaign that de-emphasizes status and flash, and makes MasterCard out to be the card that's "hard working, a good practical value that does the things you expect it to do."

The campaign uses a handful of celebrity spokespeople who are, for the most part, new to product pitching and who are seen as embodiments of individualism. Tv ads feature the likes of John Huston, Robert Duvall and Angela Lansbury who, in her spot, asserts: "Life's too short to worry about impressing other people . . . Have you ever been really impressed by a person's credit card?"

The company is spending what outsiders estimate to be about $40 million — a figure Cunningham doesn't deny — to advertise this new plastic philosophy. That's quite a jump from the nearly $17 million LNA shows them spending from January through September of 1985. Media buys are strictly tv and include late night shows such as *The Tonight Show* and *Nightline*, major sports broadcasts like the World Series and U.S. Open. Other buys include *Good Morning America, Today, 60 Minutes*, Sunday night movies and *Golden Girls*.

Despite its pooh-poohing of status cards, MasterCard does offer a gold card and is running a separate print campaign for it. The ads feature a group of faces bound to catch upscale eyes: John Huston, Twyla Tharp and Andre Previn. They will appear, beginning this month, in *Forbes, Business Week, Gourmet, Time, Natural History, Golf Digest* and *Sports Illustrated*.

And this "thinking man's" card campaign has another twist to it. As of February, MasterCard is also running a more unusual series of print ads in banking and financial books. The ads are actually a series of short essays by sociologists and "futurists" that deal with subjects like "Individual Responsibility" and "Real Value."

"Master the possibilities" will also include radio buys, the first for MasterCard in eight years.

SEARS

Many think that Sears is leading the charge into the future with its new Discover card, officially launched January 23 in print ads. But they also think Sears is taking a huge risk by being the first company to launch a major new credit card in twenty years. Sears is spending what some guess is at least $40 million on the introduction. The giant marketer itself announced it expects to post $115 million in after-tax losses this year due to launch, advertising and fraud costs.

Yet, Sears thinks the gamble will pay off. "Clearly we think there's an opportunity to reach people who've never considered owning a card before," says a Sears spokesman. "But that's not to say that we aren't going after the existing universe of cardholders in an effort to obtain part of an existing market share."

Discover can be used as a regular credit card (it's already found 200,000 companies willing to accept it). So Sears expects to rake in profits from the high 19.8% interest rate that accompanies Discover.

But more important, if Discover suc-

Can Sears find room for yet another card in consumers' wallets?

ceeds, it will have enabled Sears to tap into a huge consumer base, a prospective market for its growing list of more lucrative financial services that include banking, investment and insurance. "That's where the big money is," comments one observer.

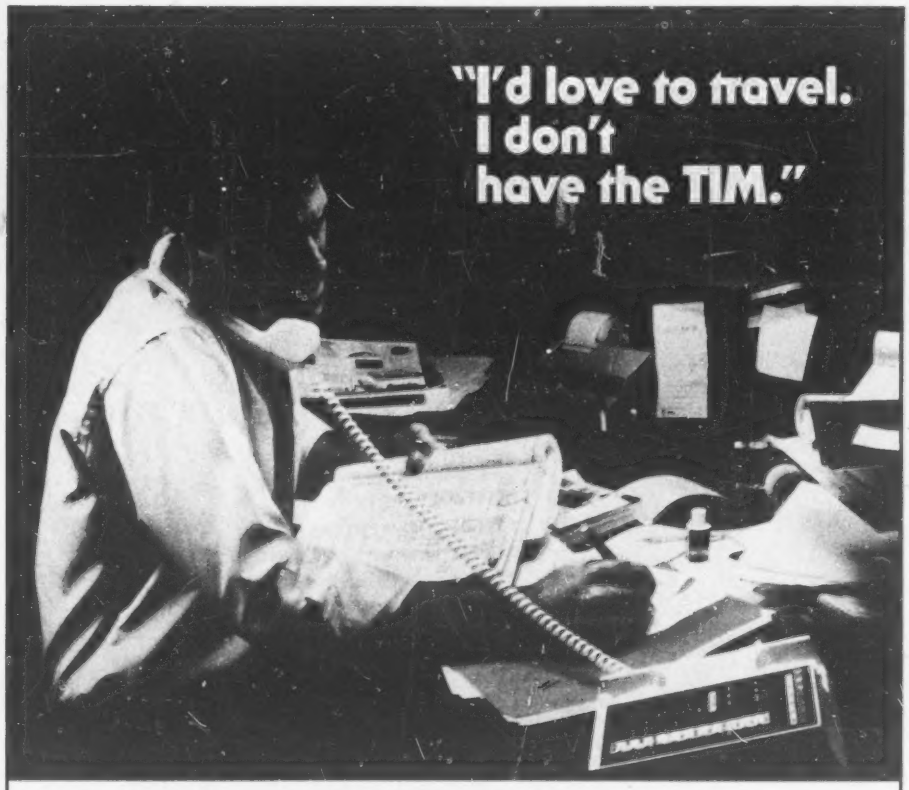
Though Sears won't say how many cardholders it has snared so far, it does say the application rate is 400% above expectations. That response is why the company launched the card in January, four months earlier than planned. Some estimate Sears will eventually pull in 10 million to 15 million Discover accounts.

This year, in a series of direct mailings, Sears will be soliciting 25 million people who already hold Sears store cards. About 1.5 million pre-approved applications will be mailed each week March through May, with a break for summer, than picked up again in fall. No card ownership fee will be charged for at least the first two years, the company says.

The television launch for Discover came on two, one-minute spots during the Super Bowl. Though Sears won't outline its media plan in detail, it plans to run its "Dawn of Discover" spots, from J. Walter Thompson U.S.A. Inc., on an array of prime time and news shows. Newspaper ads followed the January launch for a two-week period, with ads running in the *Wall Street Journal*, *USA Today*, *The New York Times* and the *Los Angeles Times*. Current print buys include *People*, *Business Week*, *Newsweek* and *Time*.

A Sears spokesman says the card, issued by a Sears-owned Delaware bank, is not targeted to a travel and entertainment market. "Its target market is as broad as the Sears market — but I don't want anyone to get the impression that it's a low credit-rating card," he says. It's a market some say, that includes incomes as low as $15,000.

Some think the card may be a risk for Sears in another way. Sears has never had to deal with a third party in a credit transaction — in the form of outside merchants. But, says Michael Weinstein, "Sears knows and understands the concerns of merchants." Indeed, among the merchants it has signed up is competitor Montgomery Ward.



Travel takes TIM—Time, Inclination and Money. Many hardworking business and professional people have the last two, but can't spare the time. Travel-Holiday readers, however, have all three. Our 2.1 million mature adults average 11.6 domestic and 1.6 international trips annually. They spend over a month away each year! Reach people with the TIM to travel by putting Travel-Holiday to work for you. For our new media kit, contact Ruth Halpert, Adv. Dir., Travel-Holiday, Travel Building, Floral Park, NY 11001. (516) 352-9700.

Time, Inclination and Money. Our readers have it.

*Source: Erdos & Morgan, 1985.

TRAVEL-HOLIDAY

GOT A COMET BY THE TAIL
Where to Tame

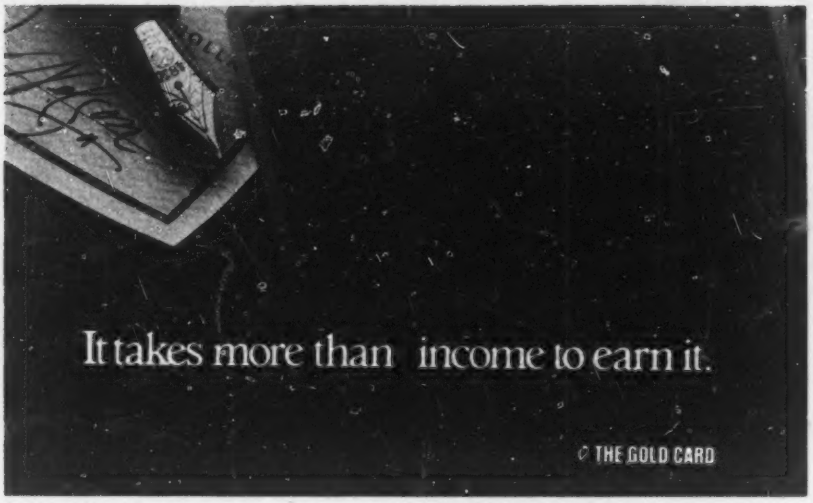
TRAVEL AND ENTERTAINMENT CARDS

AMERICAN EXPRESS

American Express, universally acclaimed as the marketer that made plastic seem classy, is the third-largest presence in the industry with 22.2 million cardholders worldwide at the end of 1985. Of those, 16.3 million of those were U.S. card carriers, a jump from the 15 million at the end of 1984.

Offering "pay as you go" charge cards, not credit cards (though some revolving credit is available on gold cards through affiliated banks) Amex attracts that category of card holder called the "convenience user."

Unlike the Visa or MasterCard for which banks can raise, lower or eliminate the fee as part of their marketing leverage, Amex charges a fixed, annual fee for its three cards. The green card, around since 1958, bills $45 per holder per year. The tonier gold card, which the company pitches to the prospective holder by urging "Come into your ele-

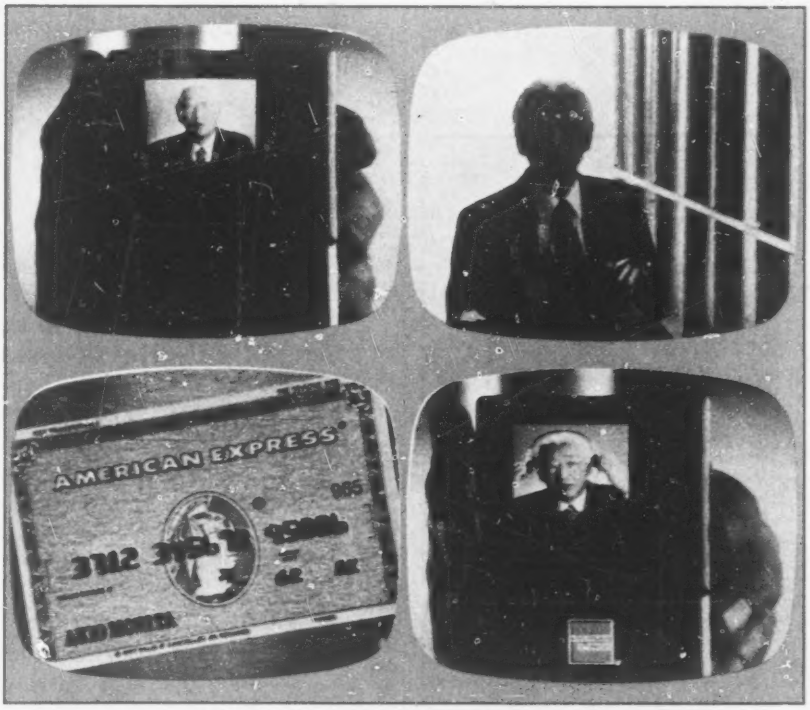


Classy plastic from the company that started the gold rush.

ment," goes for $65.

And the platinum card, the card the company is trying to market as the ultimate in plastic status by almost daring consumers to "Acquire it," runs $250. Introduced in late 1984, industry sources put the number of platinum carriers at about 60,000-70,000. Amex says that two-thirds of these "grey card" holders are entrepreneurs or people that own their own business; average age is 45 years with a household income of over $100,000. This segment also travels frequently for business and pleasure, taking more than 50 overnight trips a year.

American Express does a vast amount of corporate advertising — which certainly has its effect on card sales. But each card also has its own marketing programs. With a market that is about 75% male, with an annual income of $25,000+, the green card is largely advertised on national tv. Buys run across the board: prime time, weekend sports, late night and specials. The ad message in the tv spots is more general than what appears in print. The latter, emphasizing green-card services, appears in books including *Chicago* magazine, *Texas Monthly*, *Sports Illustrated*, *Food & Wine*, *The*



"Do you know me?" didn't strike a chord with many women.

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Economist, Business Week, and *U.S. News and World Report*.

Gold card customers are, again, largely male (about 80%) and have annual incomes in the $35,000 to $40,000 range. Amex pitched gold exclusively in print — mostly two-page spreads — until this year. It has since taken gold onto cable tv with 15-second spots on CNN, ESPN, Arts & Entertainment and SNN. "We feel network [tv] is too broad-based for the message we want to communicate," says Travel Related Services' senior vice president of marketing, Diane Shaib.

American Express won't release ad budget figures, and those floating around the industry vary widely. One source put the company's total 1985 expenditures in the neighborhood of $500 million, most of that going to the Travel Related Services division — the arm that markets charge cards, traveler's checks, and other travel services. According to Leading National Advertisers, the company spent just over $41 million on card-related advertising in measured media from January through September last year.

American Exress has a couple of other marketing cards up its sleeve. It has had a separate marketing program targeting women since late 1982. It generates ads that run on tv, in print, and go into direct mailings; the program also organizes special seminars for women.

The company found that, in general, women didn't feel the tried-and-true "Do you know me?" campaign spoke to them. So in 1983, it launched "Interesting Lives," a campaign from Ogilvy & Mather Inc., the agency that handles all its advertising. The ads are a series of vignettes that, for instance, featured a woman at a baseball game with her two daughters, or a woman cross-country skiing with a baby strapped to her chest. The "Interesting Lives" series, which went national last fall, runs in print titles that include *New Woman, People, Life, Frequent Flyer, Changing Times* and *Omni*.

The company has also put a lot of emphasis on what it calls "Cause-Related Marketing." Amex selects various "good causes" to back and then promotes them, with its name attached. One well-known campaign involved donating money for the restoration of the Statue of Liberty. The company donates small sums to its select causes each time a card is used or a new one is approved, among other things. The company reports that charge volume rises 30%, on average, during periods of cause promotion. Since it began in 1981, the company has ploughed over $16 million into cause-related advertising.

Newest of these do-good marketing programs is Project Hometown America. Amex is giving up to $20,000 each to a total of 206 community-oriented improvement projects across the country. The program, which ran from September through December advertised itself in daily newspapers in various cities. National media buys included network news shows, prime time slots, business magazines, newsweeklies and *USA Today*.

Recently, Amex tested a blue card. If launched, it would have been the company's first full-time revolving credit card with a credit limit of up to $30,000. But, "It did not survive the

Advertise in Travel-Holiday, and your message won't sail wide of its mark. Our readers have the Inclination as well as the Time and Money (TIM) for serious travel, taking 25 million trips last year. It's their hobby, their recreation, their life. Avid readers as well, they average two hours per issue and send nearly a million requests annually for information from our advertisers. Why not you? For our new media kit to help launch your ad, contact Ruth Halpert, Adv. Dir., Travel-Holiday, Travel Building, Floral Park, NY 11001. (516) 352-9700.

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TRAVEL-HOLIDAY
GOT A COMET BY THE TAIL

*Source: Erdos & Morgan, 1985.

Citibank keeps trying with Diners Club.

exploration" period, says Shaib. "It didn't fit in with what customers want."

DINERS CLUB and CARTE BLANCHE

Diners Club is the grandaddy of plastics. Introduced in 1950, this first credit card was actually made of reinforced cardboard when it was rolled out. Though it may be the veteran of the category, the $55-a-year card's performance has been so lackluster in recent years that many have wondered if it would endure. As one observer says, "They've got to make some broad changes to garner a bigger share of market. People picture a restaurant card that's elite, but outdated."

With the Diners Club membership hovering around five million worldwide, Citicorp — which bought an interest in the card in 1981 and now owns 70% of its worldwide operations — recognizes the problem. Last year it launched a new marketing campaign that the company spent $5 million to $10 million on in 1985, and will spend about the same on in 1986. Diners Club, to survive, has to carve out a share of the travel and entertainment market. While chances are slim that it will be top-of-mind over chief rival American Express, it aims to give itself enough exposure to at least *come* to mind.

"They've got to make some broad changes to garner a bigger share of market."

Citicorp thinks it has found a way to nudge Diners Club up higher in the minds of consumers and differentiate it from Amex. "Our target market is the frequent business traveler," declares Bruce Gooden, senior vice president, Diners Club marketing. "It's a segmentation strategy — these people have different needs than people who don't travel," he adds. "We do it better because that's all we're doing — [the card] is not there to buy shrubs with." Though Gooden won't project what the results in this shift in strategy will mean in terms of subscriptions, observers say signs are that Citicorp will still have to settle for a very small share of the T&E market.

Advertising for Diners Club is relying on direct mail to the tune of about 50%, says Gooden. Tv buys, both cable and network, will be in spot markets where there is a heavy concentration of business travelers. A heavy percentage of spots will be placed on business shows. Citicorp will also buy into in-flight video programing schedules, as well as in-flight magazines like *Frequent Flyer*. Print buys, predictably, lean to business books: *Wall Street Journal, Barrons, Nation's Business, Inc., Business Week* and the executive editions of *Time* and *Newsweek*.

Though Carte Blanche and Diners Club are often mixed up in consumers' minds to the point of seeming to be the same card, they aren't. But as with Diners Club, Citibank is also trying to create more awareness for this $40 model.

It will break a campaign on spot tv the 15th of this month that features a celebrity spokesperson. The campaign will be augmented by outdoor advertising in select cities, in addition to di-

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*24, 25, 26	New York • Grand Hyatt
JULY	
9, 10	Washington DC • Sheraton Crystal City
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rect mailings in over thirty states.

The card, which has under one million holders, is described by Citicorp as being a prestige card with no preset spending limit. "It's reason for being," says Gooden, "is for people who want ultimate in spending power."

OIL COMPANY CARDS

Most of the major gas companies still offer credit cards to fill up with. But in the last year two corporations have launched "full-service" gas cards that come across as something like modified travel and entertainment cards.

AMOCO

Amoco Corp. has had a "special service" gas plastic on the market since February 1983. Aside from working as a gas card, it provides a range of other services: emergency cash, for instance, and accident insurance. Perhaps the most tempting lure for potential subscribers is the 50% discount arrangements the company has with certain hotels and restaurants nationwide.

The company does no media advertising to push its MultiCard, relying on direct mail and point-of-purchase material to lure new subscribers. Amoco reports 1.1 million people carry MultiCard. The card, which costs $20, is marketed heavily in all areas of the U.S. except the Southwest and West — areas where Amoco doesn't have stations.

Last summer the company also launched a promotion offering fee-less Visa and MasterCards to new subscribers.

SHELL

Last September, Shell Oil Co. launched the Shell Signature credit card, a "special service" card that can get not only petrol, but discounted rooms at certain hotels and restaurants, as well as reduced rates on Hertz cars. The card carries a fee of $20.

The company offered the card to 5 million consumers who already have a Shell card in their wallets and, to date, Shell has signed 300,000 subscribers. "That's an excellent response rate," claims Rick Spinks, manager of the Shell Signature program. "In the credit card world, anything over a 4% is outstanding." He adds that the company is still defining Shell Signature's market. "We see it tied to the automobile and envision cardholders as people who tend to travel in their car."

"Full-service" gas cards come across as modified T and E cards.

Spinks says that other than the direct-mail solicitations (on which it has so far spent about $5 million), the company has no plans for at least another year and a half to advertise. Ads then would be print pitches and run in travel books. Tv ads, he says, are a faint possibility.

Does Shell think it can co-exist with Amoco's MultiCard, a gas-plastic similar to its own? "It's an excellent card," comments Spinks, "and they're good competition. But they're strongest in areas [of the country] where we're not, and right now there's room for plenty of competition." ■

For Travel-Holiday readers, however, it's a whole other ballgame. They have the TIM—Time, Inclination and Money—to travel. Averaging $41,700 in income, 59 years of age, kids out of college and mortgages paid, our readers have a large discretionary income to spend on your travel goods and services. Add to that a surprisingly low CPM, and you'll agree, Travel-Holiday is a big hit for your advertising dollars. For our new media kit, contact Ruth Halpert, Adv. Dir., Travel-Holiday, Travel Building, Floral Park, NY 11001. (516) 352-9700.

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TRAVEL-HOLIDAY

GOT A COMET BY THE TAIL

*Source: Erdos & Morgan, 1985.

IS OFF-CARD ON TARGET?

THE RATE CARD MINDSET

Begin with the basic premise that the marketer is entitled to receive the best value for his advertising investments. Value equates to the effectiveness and communication success of their sales messages and includes a strong relationship to the price of that communication. Steadfastly maintaining the rate card as sacrosanct insures the status quo — reasonable profits are guaranteed for the publishers and increased costs are passed on to the advertiser.

In a free market economy, a marketer cannot continue to request exorbitant cost increases from the consumer and expect to stay in business. Eventually, the consumer looks for alternatives that give the same value at a lower cost. Yet the magazine industry asks us to ignore these economic laws and continue to accept rate increases higher than the Consumer Price Index, with little increased return in productivity.

Magazines are a supply and demand medium. Currently there is excessive supply. Price flooring, via an inflexible published rate card, encourages poor management decisions, uncontrollable cost increases and excessive charges for premium (demand) positions and bleed (demand) creativity. True, magazines may fail because of negotiations. If they cannot prove their effectiveness (price/value), then perhaps they should fail!

A magazine which can prove fair value should be able to adjust its pricing to reflect the resultant demand. Price flooring insures not having to prove or sell anything except the base number of readers.

The negative arguments, including increased clutter and less investment on the editorial product, belie the true issue. Maintaining the rate cards keeps it simple and easy for everyone except the advertiser. But in today's economic climate, that advertiser is demanding a better return on investment. If a magazine does not like the negotiation, it can always "walk away." This might give it greater credibility. The bottom line is: It is time that the industry changed its anachronistic rate card mindset.

Louis M. Schultz is executive vice president, director media services at Campbell-Ewald Company. As General Motors agency member, he also sits on that company's Media Council.

Our readers tell us . . .

The realities of the marketplace have taken their toll on the rate card as the basis of a magazine space buy. Off-card deals are rumored to be widespread — but are they? Research USA, Inc., Chicago, went to a random sample of our readers in media positions to hear what they had to report on their own magazine buys. Here's what they report:

1. Should magazine advertising rates be a negotiated buy?

Yes	67.3%
No	31.8
No answer	.9
	100.0%

Base: 113

2. Have you successfully negotiated magazine prices different than those appearing on the rate card within the past 12 months?

Yes	57.5%
No	39.8
No answer	2.7
	100.0%

Base: 113

If "Yes," who initiated these deals?

The magazine publishers	12.3%
Your buyers and/or clients	43.1
Both	44.6
No answer	—
	100.0%

Base: 65

If "No," why haven't you bought magazine ad pages off the card?

You turned down off-the-card deals	15.6%
You had been rebuffed when seeking special discounts	8.9
You never sought an off-the-card deal	66.6
No answer	8.9
	100.0%

Base: 45

3. Have you learned of off-the-card deals by your competitors?

Yes	44.2%
No	53.1
No answer	2.7
	100.0%

Base: 113

4. Some publishers have reacted to the competitive environment by offering new on-card discount plans — package

THINKING LONG TERM

Negotiated magazine rates have been an on-going advertising topic for the past five years, but interest in it has increased significantly over the past year, fueled by an increase in the attempt to leverage large advertising budgets to obtain better rates.

I had a rather well-defined point of view on this matter when I agreed to address a recent Association of National Advertiser's meeting. However in order to find out if I would be presenting a majority or minority view, I polled ten of my peers in medium- to large-sized agencies. My opinion, a guarded no, was echoed by seven of the ten while being contradicted by the remaining three.

Here's my reasoning for what turned out to be the majority opinion.

It's difficult to fault those looking for the best possible deal, but let's protect the goose or we won't have any golden eggs. There are similarities in this situation and the advent of 15-second tv commercials in terms of keeping a careful eye on media resources.

At an Advertising Research Foundation meeting several months back, researcher after researcher said that :15's were worth approximately 75% of the value of a 30-second commercial. Okay, but five years from now when the :15 may very well be the dominant message length, will its absolute recall and persuasion scores be equal to 75% of what a 30-second delivers today? Or will the effectiveness of the entire tv medium be diluted? And what will be the rate for that :15? Yes, :15's are here to stay, but we'd better learn to accommodate them so that, down the road, there will be a net gain and not a loss per dollar expended.

Negotiated magazine rates present the same kind of dilemma. Magazines are a resource. How do we protect, nurture and get the most value from the medium over the long haul? Many magazine publishers say that, since ad pages are not a "perishable" commodity, it's not a case of supply and demand calling for negotiated rates. The supply is forthcoming only sufficient to meet the demand. If pages aren't sold, they aren't printed and no costs are incurred for paper, ink, etc., and no additional edit pages are required to maintain an ad/edit balance. They also say that negotiated rates are a dangerous short-term strategy that will lower the value of the medium as an advertising vehicle.

I agree with their point regarding the threat to the value of the magazine medium, as do the majority of the media directors I spoke with, but that doesn't mean they shouldn't get their house in order. Backing away from over-inflated circulation levels, for instance, is a positive way in which the magazine medium can bring their advertising rates in line with the reality of the marketplace and hopefully lessen the pressures of negotiated rates — pressures that will cause some magazines to lower their edit product, deliver less value and, as a result, lose readers and begin a downward spiral in terms of quality.

Negotiating off the rate card says that magazines are selling tonnage and that the value of their editorial product is of little importance. This should not become the *raison d'etre* of this medium. In the media world of the 1990's, audience selectivity and reader or viewer involvement, at a fair price, will be the rationale for most of the recommended elements in the majority of media strategies.

I believe the answer is "No" to the question, "Should magazine rates be negotiated?" However, publishers need to act. Should circulation to undesirable, uninterested readers be cut? Yes. Should creative packaging and discounts be developed by magazines and put on the rate cards? Yes. Should rate increases be more cognizant of a lower rate of inflation? Yes. And should we all be concerned about protecting the goose so its golden eggs aren't spoiled? By all means, yes.

Michael Ephron is executive vice president, media services, for Scali, McCabe, Sloves, Inc. This piece has been adapted from an address made to the Association of National Advertisers Media Workshop on February 26, 1986.

buys, first-time discounts, repeat discounts, etc. Are these refinements effective tools for preserving the rate card as the basis of the magazine buy?

Yes	60.1%
No	37.2
No answer	2.7
	100.0%

Base: 113

5. As the business climate improves for magazines, what do you feel will happen to the number of off-the-card deals in magazine buys?

They will increase	31.9%
They will decrease	35.3
They will stay the same	31.9
No answer	.9
	100.0%

Base: 113

ECONOMIC EYE

AGENCY OUTLOOK: GO FOR THE RIDE

Advertising agencies, overall, should expect "modest" improvements in earnings for 1986, according to Fred Anschel, vice president, research, Dean Witter Reynolds.

Anschel, who follows five publicly held agencies — BBDO, Interpublic Group, J. Walter Thompson, Ogilvy & Mather and Doyle Dane Bernbach — envisions earnings will increase 10%-12% and that a great deal of that growth will come from overseas markets.

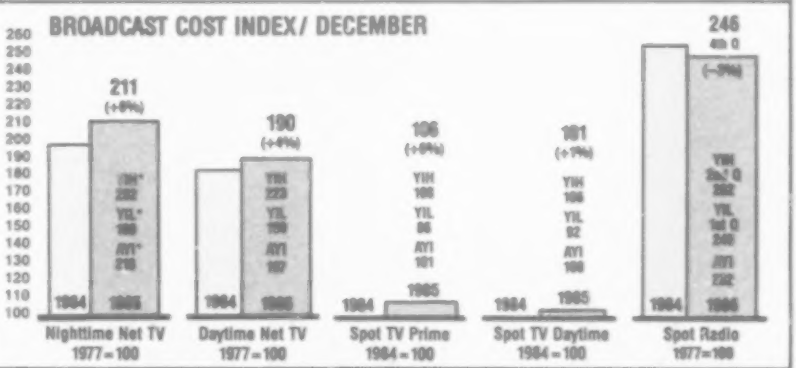
"The dollar is weaker and the lower oil prices should have a very salutary effect on the European economy, keeping manufacturing costs lower so that marketers can spend more money on media," Anschel reasons. Furthermore, the nascent European media scene is beginning to unfold, with more media options becoming slowly available for global marketers. The ensuing media commissions will fatten agencies' bottom lines as well. The gains in Europe, however, will be partially offset by the major Latin American markets which are "still in a high inflation mode," he adds.

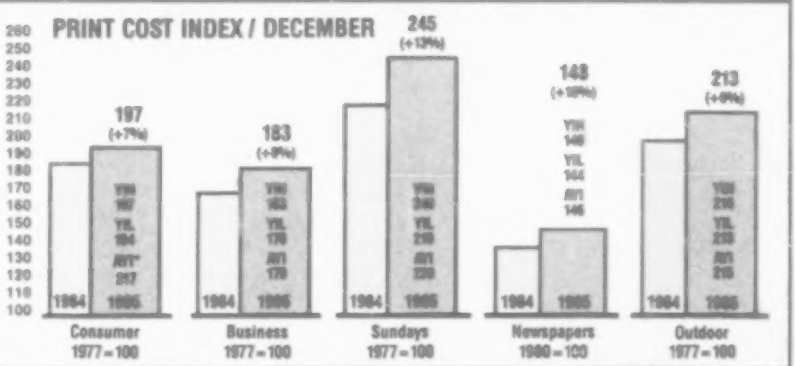
Domestically, Anschel sees no cause for distress, although growth will be slower than recent boom times. "The physical volume of advertising should be up modestly and, therefore, the ability to raise ad rates," he predicts. Nor does he see recent client defections to media buying services, like Chesebrough-Pond's recent move, growing into a trend that full-service agencies should be alarmed about. "We've gone through this before and this question comes up constantly, but it will not be a major factor," he predicts.

For the short term Anschel envisions that agency stocks will "do extremely well, as is the entire stock market. My attitude is that as long as things are going well, go along for the ride," he advises. *Marianne Paskowski*

MAGAZINE AD SCOREBOARD	Ad Pages Feb. 1986	% change from Feb. 1985	Dollars spent (000)	% change from Feb. 1985
1. Skin care, Creams, Lotions and Oils	158.88	+17.0%	$ 4,797.7	+35.8%
2. Lip and Eye Beauty Products	41.79	−38.1	1,306.8	−44.8
3. Scents and Fragrances	106.99	+83.5	2,353.9	+76.4
4. Facial Makeup Products	42.38	−46.9	1,610.6	−35.3
5. Prepared Dinners and Entrees (including Pizza)	57.76	+55.8	2,767.4	+34.6
6. Liquor	311.86	−3.6	12,655.6	+4.6
7. Cigarettes	580.04	−9.9	29,752.0	−2.6
8. Soaps and Detergents	39.51	−19.8	2,487.6	−13.1
9. Passenger Cars, Domestic	404.96	−10.8	19,006.2	−13.3
10. Passenger Cars, Imported	301.33	−4.7	14,928.3	+19.4

Source: Publishers Information Bureau as prepared by Leading National Advertisers





Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per agate line of a sample of 788 newspapers weighted to represent the universe.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

How to read: Media Cost Index reflects latest available costs compared with base year. Percent change shows rate of change from the same month in previous year.

*YIH=Yearly index high *YIL=Yearly index low *AYI=Average 1985 index

SALES PROMOTION

by Russ Bowman

A "CAUTIOUS" LOOK AT COUPONING

A lot has happened to the seemingly "wonderful world" of couponing since the December 1985 article. The changing scene can be summarized in six trends or current events that are worth noting:

1. Total distribution is up, but at a slower growth rate.
2. Redemption rates are declining, some significantly.
3. Free-standing inserts now equal over 50% of all coupons and their producers are gearing up for an even bigger share.
4. Price wars among the FSI suppliers may benefit advertisers.
5. FSI producers are looking for some "new tricks."
6. Face values are up, but only slightly.

Couponing is still growing at a faster rate than most businesses, but it has been growing at a *declining* rate for the past two years, and that seems to look like a trend. Couponing increased by 20% in 1983, by 14% in 1984 and by only 10% last year, as the total distributed hit 179.8 billion, according to A.C. Nielsen. One reason for the current reduced growth is that the greater increases in 1982 and 1983 were a result of an upswing in the economy and a number of new brands and companies jumping on the coupon bandwagon. Secondly, there are many advertisers who are concerned about today's clutter in the mass-distributed media like free-standing inserts, and are planning for more selective distribution both geographically and demographically.

A more serious concern is the declining redemption rates of most coupon distribution methods over the past several years. Most of the traditionally higher redeeming vehicles had a significant drop from 1983 to 1985, especially direct mail which declined nearly two percentage points, from 8.9% in 1983 to 7.0% in 1985. Since the costs of postage, printing and mailing have increased over the same period of time, the implication is reduced efficiency. (An overall view of this decline can be seen on page 158.)

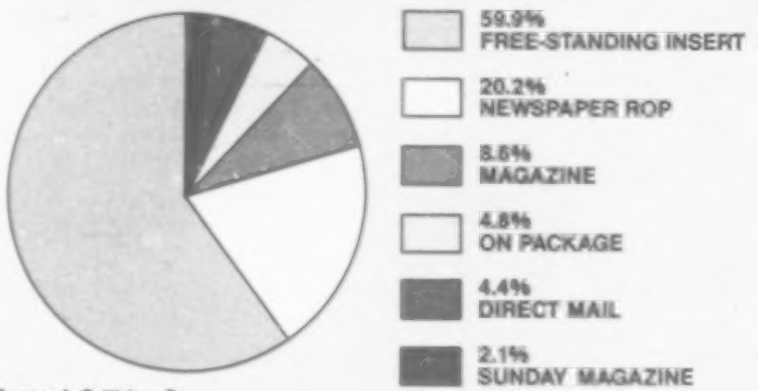
What's behind this trend? Some marketers blame overall coupon clutter, or simply the fact there are so many couponing vehicles competing for the consumer's attention. Others look at the shift in audience demographics for the mass distributed coupon programs over the past six to eight years. Donnelley's Carol Wright mailing was once more closely aligned to prime demographics of heavy coupon users (larger families, major markets, etc.). As the list became broader to accommodate up to 40 million households, it necessitated more small households and more families with incomes at both the high and low end of income brackets — demographics generally associated with lighter coupon usage.

Free-standing inserts dominate: For a business that was virtually in its infancy only ten years ago, FSI's have come a long way. In 1985 newspaper co-op inserts represented nearly 60% of all coupons distributed, up from 51% in 1984, and 43% in 1983. And it looks like the FSI producers are gearing up for even more growth. Valassis, the leading company in the business, increased its 1986 schedule with four new dates (July 20, August 3, September 21 and October 19), bringing their total to 33. NCC Sunday, the MCA entry, has added two issues (September 21 and October 19). The schedule of all four insert companies for 1986 comes to 108, now all on Sundays.

With greater volume and issue sizes, there is a new scramble for cut pricing. The former standard $7 CPM page has been going at much lower rates, even below $6 CPM, which has prompted a bold move by the new Quad Marketing group that took over Blair Inserts earlier this year. Quad is offering a "National Only" issue (47,850,000 circulation/November 16) at a flat $5 CPM. The cost savings, which Quad is able to pass along, are a result of eliminating the 125-150 version color changes and the improved efficiency of new presses.

Meanwhile some of the FSI producers look at the environment as an opportunity to add some creative advantages to give them a slight edge. Last year Product Movers introduced a coupon-sized gatefold "flap" that was utilized by several manufacturers including General Foods and Nestle.

1985 COUPON DISTRIBUTION BY METHOD

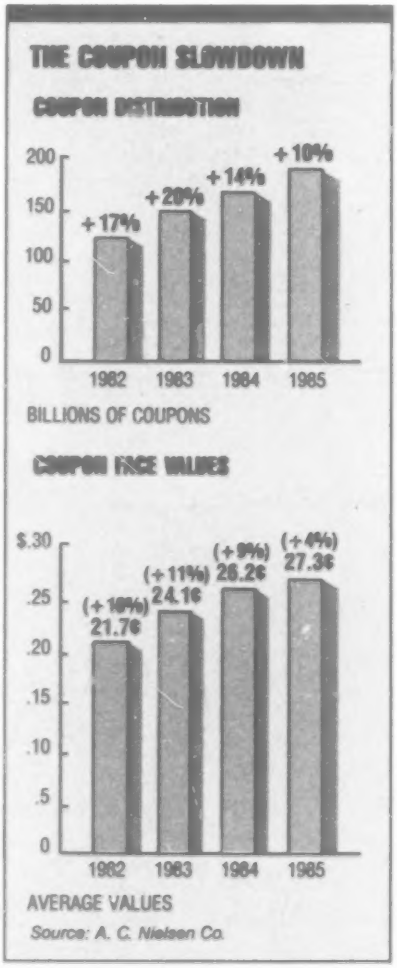


Source: A. C. Nielsen Co.

HOW HAS BUSINESS MARKETING CHANGED?

Now Quad Marketing is offering an opportunity to buy a double fold center position that can be folded out to the approximate size of a 16"x22" poster, or a spread with full-page gatefolds on both sides.

Face values up "just a little": Good news for your budgets is the fact that coupon face values seem to be increasing at a lesser rate than in the past. Specifically, the average face value of all coupons in 1985 (27.3¢) was only 4% greater than 1984. Growth in the average face value from 1982 to 1983 was 11% and growth from 1983 to 1984 was 9%. Percent of coupons in two of the more popular values was virtually equal for 1985 and 1984, which tends to indicate that many companies/brands are finding a value well below the overall average quite adequate for their criteria of effectiveness and efficiency.



"Good friends don't let good friends smoke cigarettes."

Cigarettes aren't good for your friends. Adopt a friend who smokes and help 'em quit today. You'll both be glad tomorrow.

AMERICAN CANCER SOCIETY